POINT FOUNDATION - *WHOLE EARTH REVIEW*

POINT PROPOSAL

Introduction; Loan Timing and Amounts.

Point Foundation is the 501(c)(3) non-profit organization that publishes *The Whole Earth Catalog* and *The Whole Review* magazine. Point warrants that it is currently debt-free other than its ordinary subscription liability and regular bills, and that these are not in arrears. Point proposes program-related investment loans of $75,000 in October, 1995, a second $75,000 in March, 1996, and $50,000 in October, 1996.

The second and third installments would be contingent on mutual agreement between Point and the lenders that the loans are appropriate and would be useful to Point. Criteria for decisions about the second and third loans would include Point's progress in the following areas:

Development of the Board of Trustees
Major donor program development
Foundation program development
Development of a Whole Earth marketing plan
Development of British Columbia connections and circulation
Circulation development
Appropriate review and decisions about subscription and newsstand pricing

Interest.

Interest would be at a simple 10% annual rate, four percent cash to be added to the loan's principal, six percent to be spent annually on in-kind activities, such as the following:

Free subscriptions to *Whole Earth Review* to individuals and organizations in British Columbia to be chosen in cooperation with Whole Earth staff, Joel Solomon, and the lenders. Wherever possible, gift subscriptions would be structured to maximize the likelihood that they will convert to paying subscriptions in subsequent years;
Complimentary copies of *The Millennium Whole Earth Catalog* to be provided to British Columbia individuals and organizations;
Copies of *Whole Earth Review* to be offered for the use of British Columbia organizations;
Free unclassified advertising in *The Whole Earth Review* for Hollyhock and other organizations to be agreed-to by the lender and the *Whole Earth Review* editor;

Out-of-pocket expenses for inclusion of British Columbia individuals and organizations in *Whole Earth Review*'s general circulation expansion efforts.

Loan Paydown.

Each of the loans would be paid down at the following rate:

5% of outstanding principal and interest after one year
an additional 10% after two years
an additional 10% after three years
an additional 10% after four years
the balance after five years

Point would have the right to prepay any or all of the outstanding principal or interest without penalty.

Collateral

30,000 shares of Zomeworks stock or the proceeds from their sale, up to the amount owed by Point. The price of these shares was recently set by Zomeworks at $3 per share, in order to take advantage of the opportunity of a very large opening in the market; shares have sold recently for as much as $6.25;

Computer equipment and phone equipment (purchased new for $80,000 in 1994) at resale value;

Point's share of future royalties from *The Millennium Whole Earth Catalog* , up to the amount still due to the lender after the valuation of other collateral.

Point agrees that the lender's interest in these items would not be subordinated to that of any other parties.

Point Board Commitments

Tyrone Cashman and Wade Rose would each agree to remain on the Point Board for at least three years, or until 30% of the debt is repaid, whichever is later.

Legal Costs

Point and the lender would each be responsible for their own legal costs for writing and processing this loan.

Other Considerations

Point will offer the lender up to $60 worth of unclassified ads in each issue during the time any of the loans is outstanding.

Point will provide the lender with 10 complimentary copies of *The Millennium Whole Earth Catalog*.

"Allswell, British Columbia" to be included in the listing of Perpetual Supporters published in *Whole Earth Review*.

Point will contact the following individuals for try-out as potential Whole Earth Correspondents: Allen Durning, Rex Weyler, Judith Plant.

Point will supply Joel Solomon, as representative of the lenders, with timely and pertinent information: *MWEC* royalties statements, Point financial reports on at least a quarterly basis, any other relevant updates of Point development and needs.

USES OF PROPOSED LOANS

In 1994, Point experienced losses of $492,775. This loss resulted from decisions of a previous management. The board and the new management which arrived in late 1994 are determined not only to reverse this situation, but to return Point to a firm financial footing in which expenses will be covered largely through earned income.

The board and administration have taken major steps to reverse the previous situation (see "Point Business Management" below). As a result, we project that we are currently within $37,000 of balancing the ledger for 1995. We are also prepared to undertake the effort needed to expand our circulation to generate the funds needed to break even and then to improve and expand our publications. Please see the descriptions of "Market Potential" and "Point Circulation-Expansion Efforts" below.

We proposed using $36,929 of the first loan to complete our bridging of the income-expense gap. The remaining $38,073 would be invested in circulation and funding expansion efforts, after careful testing of each of the instruments to be used (direct mail, advertising, automatic credit-card renewal, card decks, package inserts, and so on). The additional $125,000 we propose borrowing in 1996 would go into these growth efforts.

As the attached documents show, we project that the added income from these efforts, along with our decision to increase subscription prices and commitment to a long-term fund-raising program, will enable us to pay the loans back and to generate a surplus over the next five years.

POINT LOAN HISTORY

Throughout its 27-year history, Point has endeavored to operate on a pay-as-you-go basis. Occasionally, though, we have required the infusion of borrowed funds. We know of at least three occasions in which unsecured loans were taken, in the $40,000-$60,000 range. In each instance, the loans were fully repaid on schedule. Further details about these loans and lenders can be made available if desired. The Point board and administration take it as a matter of both personal honor and good business practice to meet these obligations as scheduled.

THE WHOLE EARTH REVIEW

Twenty-seven years after the first *Whole Earth Catalog*, there is still no other publication that combines these features:

- Presenting the relationship between humans and the environment from a whole systems perspective. "Whole Earth" is now almost a cliché. It is easy to forget that this was a life-changing and culture-changing viewpoint when espoused by the first *Whole Earth Catalog* in 1968.

- Connecting readers with tools and resources. Whole Earth's theme has always been "Access to Tools and Ideas." Our purpose is to move beyond either vague romanticism about "oneness with nature" on the one hand or alarmism and complaints on the other. Instead, we point to people making a difference and to the resources readers can use to think and act for themselves. For instance, our recent issue on water included more than 120 reviews of books and tools, a "Watershed Yellow Pages" with contact information about 175 organizations working on water issues around the world, and the birth announcement of an important new organization, the International Ecological Design Society.

- Introducing innovative thinkers and ideas. Soft energy paths, voluntary simplicity, personal computers, the Gaia Hypothesis, deep ecology, bioregionalism, watershed conservation and electronic democracy were all introduced and discussed in our pages well before they became mainstream topics of conversation and concern.

  WER provided the early forums for a long litany of innovators whose work is now achieving widespread recognition. To name just a few: 1993 MacArthur Fellow Amory Lovins, Ivan Illich, Stewart Brand, Mary Catherine Bateson, Lynn Margulis, Paul Hawken, Sallie Tisdale, John and Nancy Jack Todd.

- Willingness to keep an independent and critical perspective, even about the people and movements we love. We predicted the potential of

personal computers before most people had heard of them. But we also published "Computers as Poison" ten years ago, the same year we devoted an issue to a critique from within of excesses and misplaced priorities in the environmental movement.

- Commitment to continued evolution. We keep growing, to keep pace with new knowledge and developments. Our most recent catalog, *The Millennium Whole Earth Catalog*, retained such familiar domains as Whole Systems, Community, Family, Health, and Livelihood. But it added new domains as well: Biodiversity, Sustainability, Sex, Taming Technology, and Political Tools. We recently added two new domains to *The Whole Earth Review*, Sustainability and Ecological Design. We are now running a new series on "Women and Water," and have issued a call for nominations for a new network of worldwide correspondents.

MARKET POTENTIAL

The Stanford University Graduate School of Business Alumni Consulting Team conducted an analysis of *Whole Earth Review*'s market potential in 1991. Among its conclusions:

- *WER* has good prospects for expanding its circulation.

- Telephone survey, renewal and newsstand performance suggest no fundamental "product" problems which limit *WER*'s ability to increase its market share.

- The Stanford team's preliminary telephone survey indicates strong reader involvement and high overall satisfaction, reaffirming the assertion of no fundamental "product" problems.

- The fact that other organizations regularly rent *WER*'s subscriber list suggests that their readers/members share an overlap of interests with readers of the *Review* As a group, these organizations' members/subscribers would provide an adequate number of prospects for increasing *WER*'s circulation.

- A series of well-structured direct mail campaigns should result in a 2-3% cumulative net response, increasing *WER*'s circulation by 40,000 to 60,000 readers.

POINT CIRCULATION-EXPANSION EFFORTS

Until now, Point administrations have not had the ability or willingness to commit the substantial resources needed for an expansion effort on the scale recommended by the Stanford team. The administration and board that came to Point in 1994 recognize the importance of bringing circulation to the level where (a) operations can be funded by earnings, resulting from higher overall income and lower per-unit costs; and (b) *Whole Earth Review* can have the impact which its content merits. They have therefore undertaken the following actions:

As the first step, in 1994 Point moved subscription fulfillment management to a professional management company, Fulco, in Denville, New Jersey. This enabled us for the first time to hire a circulation director whose professional experience was in circulation expansion rather than fulfillment management.

We negotiated a better contract with our primary newsstand distributor, resulting in more favorable terms and the addition of new outlets.

We began tests of renewal premiums as a renewal inducement.

We made a commitment to extra mailings for renewal of previous years' gift subscriptions, something that was not being done previously. We are adding tip-on mailers on issues for subscriptions that are about to expire.

We began testing advertisements in *Utne Reader*, *Mother Jones*, and *New Age Journal*.

We designed a 16-page update to *The Millennium Whole Earth Catalog*, to be distributed with *MWEC* beginning this fall. With the addition of this update, Harper San Francisco hopes that *MWEC* sales will make back Harper's advance and be at the point of returning cash royalties to Point by the end of the fall season.

We improved the quality and appearance of renewal mailings.

- Given the high cost especially of direct-mail solicitation, and in an effort to produce the most cost-effective campaign, we propose a multi-level strategy, including:

  An expanded series of gift-subscription offers for the 1995 holidays.

  Initial tests, beginning fall, 1995 of higher subscription rates (our rate has only been increased from $18 to $20 since 1984, in spite of substantial increases in costs of printing and mailing).

A test of automatic credit-card renewals, once our subscription management firm has that capacity (expected in early 1996).

Test mailings to direct mail audiences, to determine best-response lists before committing to a full-scale mailing.

Continuation of successful advertisements and replacement of less-successful venues with other test sites.

Initial testing of card decks and package inserts (included with deliveries to proven mail-order buyers); these are less well-established within the industry than traditional mail solicitation, but bear testing since they are dramatically less expensive.

POINT FUND-RAISING EFFORT

The Point board and administration recognize that until the circulation expansion is completed, additional funds will be needed (a) to fund the gap between earned income and expenses while this gap is being reduced; (b) to finance the circulation and development efforts needed to achieve this expansion; (c) to fund new projects that will increase both the value and the appeal of our publications.

Beginning in 1995, Point added new board members who have long connections with Whole Earth and to the organizations that have operated in a similar spirit since the 1970's, as well as technical and fund-raising experience. We have achieved the following results to date:

- Receipt of $20,000 from the Flow Fund to support the spring, 1995 issue.

- A mailing to Whole Earth subscribers in late 1994 that elicited a 15% response, including more than $30,000 in donations, 1,300 early renewals and gift subscriptions (worth $37,000) and sales of 2,600 copies of *The Millennium Whole Earth Catalog* (a "profit" of more than $40,000). Realizing that multiple appeals yield higher results, in 1995 we are going to replace this one-time mailing with a two-part gift subscription/*MWEC* solicitation, a tip-on for the issue to arrive in late November and a direct solicitation for contributions from subscribers in early 1996.

- Personal solicitation by Point board members and staff since June, 1995 has raised $50,000 in new gifts and pledges.

- We have added a development director with professional fund-raising experience, as well as a consultant with expertise concerning Bay Area foundations. We are submitting proposals in the following areas: (a)

underwriting of specific issues (such as "Water" for spring, 1995, and "Environment and Religion" for summer, 1996); (b) projects to run longitudinally through multiple issues (such as a Sustainability Research Project and a network of worldwide Whole Earth Correspondents); (c) additional support for the project to expand Point circulation and development.

Proposals are pending before:

* The Marin Community Foundation
* The Sacharuna Foundation

Letters of Inquiry have been submitted to:

* Columbia Foundation
* Compton Foundation
* Charles Stewart Mott Foundation
* Foundation for Global Ecology
* Mary Crocker Trust

Proposals are being prepared for the following foundations with upcoming first-stage deadlines

* Abelard Fund
* C.S. Fund
* Global Environmental Project Institute
* Ittleson Foundation
* David & Lucille Packard Foundation
* Patagonia, Inc.
* Samuel Rubin Foundation
* Vanguard Public Foundation

The following foundations are now being researched as likely top priorities for the next round of applications:

* Bullitt Foundation
* William and Flora Hewitt Foundation
* American Conservation Association
* Fred Gellert Foundation
* S.H. Cowell Foundation
* Streisand Foundation

More than 50 other foundations have received preliminary ranking from our consultant, and constitute the following round of research and proposal preparation.

POINT BUSINESS MANAGEMENT

Point added a new management team in late 1994, led by a new editor-in-chief (Whole Earth's first woman editor) with experience in both publications and independent film-making, and a new general manager who was formerly vice president (and then interim president) of a local college.

Among the steps taken since then:

- A Certified Public Accountant was added to the staff (on a part-time basis, replacing at less cost the previous full-time person who lacked formal accounting training).
- New systems were instituted for financial tracking, accountability, and approval of expenditures.
- Processes were instituted for prior approval of credit card charges and for follow-up on bad checks.
- Payroll was nearly halved, through elimination of positions, salary reductions and a more vigorous effort to recruit volunteers and interns.
- Office space was consolidated, and rent reduced by a third.
- Other expenditures were sharply decreased.
- Accounts which were payable or considerably overdue as of September, 1994 were all brought up to date.

CONCLUSION

Point and its publications continue, as our Mission Statement announces, "to point the way to tools and ideas that help people think for themselves and envision ways to live sanely and sustainability."

We have demonstrated our capacity to meet that mandate for over a quarter-century. We are ready to move forward with a dynamic and aggressive program of circulation and funding development. A program-related investment in the form of a loan at this juncture would be a key element in launching this program.

We are grateful for your consideration, and look forward to working further with you.